Building on our strengths

We believe that developing core capabilities in-house is critical to our long-term success. Through conducting product development, manufacturing and sales, marketing and distribution ourselves as far as possible, we can better control the development of our vaccines and retain more value by holding on to product rights.

PRODUCT DEVELOPMENT

Wherever appropriate, we invest in product development ourselves, in line with our capabilities, rather than seeking funding from a partner such as a pharmaceutical company in exchange for out-licensing product rights. To support this, we have developed experienced teams to run our clinical trials and to liaise with the regulatory agencies, such as the FDA and the EMA, that oversee trials and review applications for licensure.

Of our vaccines in clinical development, we have full rights to ACAM2000, ChimeriVax-JE, ChimeriVax-West Nile and *C. difficile*, and have a partnership with Baxter on MVA. In the short term, while we are in the process of establishing more sustainable revenue streams, we can utilise our strong cash position to fund development.

MANUFACTURING

Our manufacturing capability is a major strategic asset. This competency, together with strong QA/QC systems to oversee the manufacturing process, is core to the successful development of biopharmaceutical products such as vaccines. In recent years, several vaccine companies have encountered manufacturing problems that have resulted in supply shortages or product withdrawals. Many of the facilities concerned were built decades ago. Our facility was designed and built in the last few years, to the very latest regulatory standards, placing us in a strong strategic position. With limited manufacturing capacity available in some areas, competing demands for that capacity and ever more rigorous QA/QC requirements, we believe we can control our costs and timelines better by manufacturing our products ourselves, and maximise value by retaining the manufacturing margin.

For these reasons, we are manufacturing in-house four of our key projects – ACAM2000, ChimeriVax-JE, ChimeriVax-West Nile and *C. difficile* – and have invested in extensive quality systems to ensure we maintain the highest standards, to which we are strongly committed. As the capability we have today is purely for bulk manufacturing, we are exploring the potential to extend into areas where significant capacity shortage exists, such as fill/finish.

SALES AND MARKETING

Given the geographical diversity of markets for our products, we do not expect to sell all of our products ourselves in all markets. Through BPC we already have a key sales and marketing capability targeting the US travel vaccine sector and we intend to utilise this infrastructure for other products in our pipeline. At this stage in Acambis' development, for products such as the ChimeriVax-West Nile and *C. difficile* vaccines that target different customer bases and for sales outside the US, we will require distribution partners and/or a major marketing partner with well-established capabilities, such as one of the major pharmaceutical companies.

DEVELOPING THE PIPELINE

As it takes many years and significant capital investment to develop capabilities such as clinical operations, regulatory affairs, QA/QC and manufacturing, these can also be important assets for us in attracting further research and/or early-stage clinical programmes. Many smaller companies require partners with such core competencies to help them continue development of products, and Acambis, with these abilities and a strong balance sheet, can be an attractive partner.

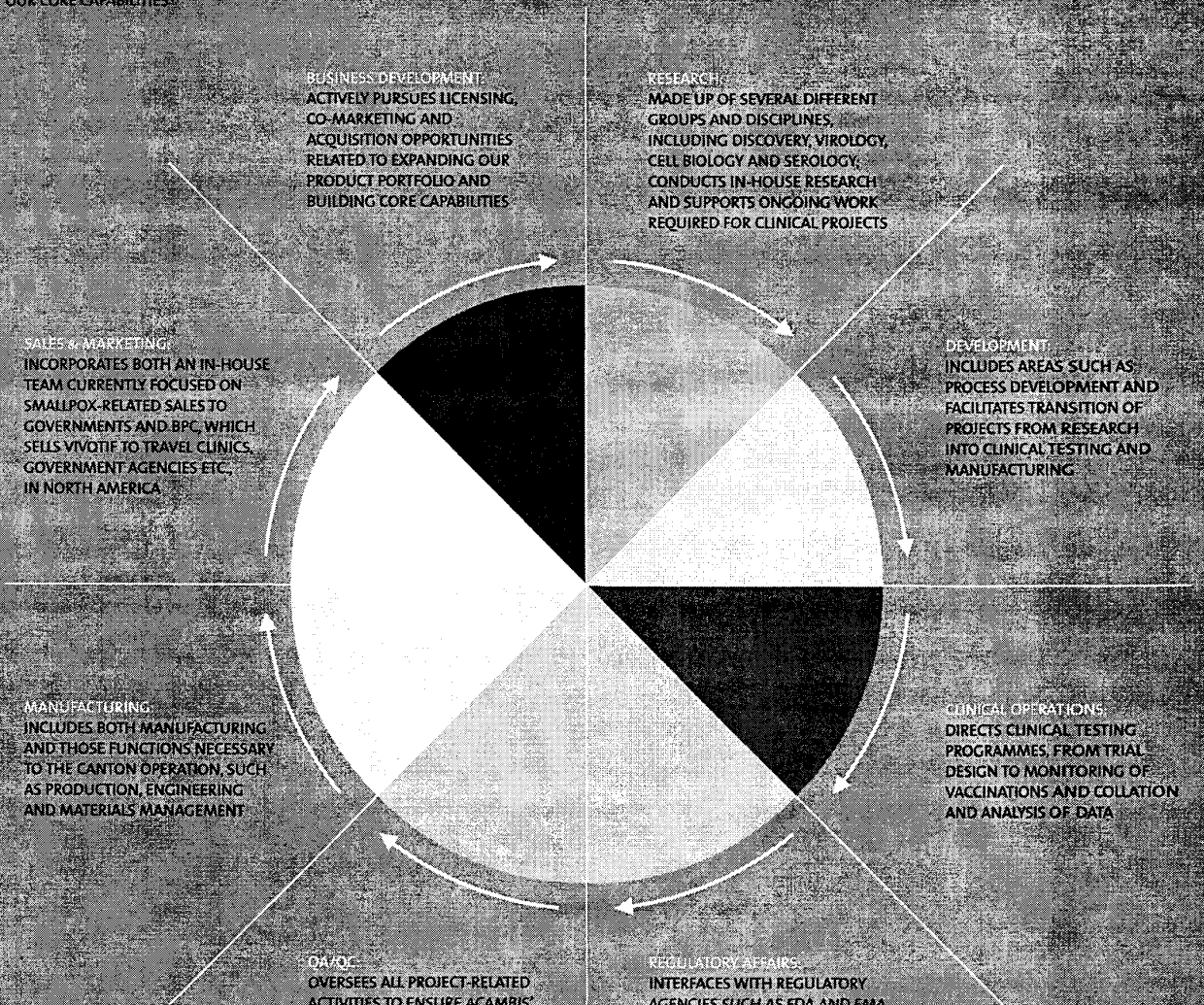
OUR CORE CAPABILITIES

BUSINESS DEVELOPMENT:
ACTIVELY PURSUES LICENSING, CO-MARKETING AND ACQUISITION OPPORTUNITIES RELATED TO EXPANDING OUR PRODUCT PORTFOLIO AND BUILDING CORE CAPABILITIES

RESEARCH:
MADE UP OF SEVERAL DIFFERENT GROUPS AND DISCIPLINES, INCLUDING DISCOVERY, VIROLOGY, CELL BIOLOGY AND SEROLOGY; CONDUCTS IN-HOUSE RESEARCH AND SUPPORTS ONGOING WORK REQUIRED FOR CLINICAL PROJECTS

SALES & MARKETING:
INCORPORATES BOTH AN IN-HOUSE TEAM CURRENTLY FOCUSED ON SMALLPOX-RELATED SALES TO GOVERNMENTS AND BPC, WHICH SELLS VIVOTIF TO TRAVEL CLINICS, GOVERNMENT AGENCIES ETC., IN NORTH AMERICA

DEVELOPMENT:
INCLUDES AREAS SUCH AS PROCESS DEVELOPMENT AND FACILITATES TRANSITION OF PROJECTS FROM RESEARCH INTO CLINICAL TESTING AND MANUFACTURING



MANUFACTURING:
INCLUDES BOTH MANUFACTURING AND THOSE FUNCTIONS NECESSARY TO THE CANTON OPERATION, SUCH AS PRODUCTION, ENGINEERING AND MATERIALS MANAGEMENT

CLINICAL OPERATIONS:
DIRECTS CLINICAL TESTING PROGRAMMES, FROM TRIAL DESIGN TO MONITORING OF VACCINATIONS AND COLLATION AND ANALYSIS OF DATA

QA/QC:
OVERSEES ALL PROJECT-RELATED ACTIVITIES TO ENSURE ACAMBIS' COMPLIANCE WITH GOOD MANUFACTURING PRACTICE, GOOD CLINICAL PRACTICE AND GOOD LABORATORY PRACTICE

REGULATORY AFFAIRS:
INTERFACES WITH REGULATORY AGENCIES SUCH AS FDA AND EMA ON PERMISSIONS TO CONDUCT CLINICAL TRIALS AND APPLICATIONS FOR PRODUCT LICENSURE

Improving the predictability of our revenue stream

To date, our revenues have been principally driven by sales to governments of our ACAM2000 smallpox vaccine. These contracts have been significant cash generators and we will continue to bid for further contracts, including MVA. In parallel with those efforts, we want to develop more sustainable revenue streams that reduce our reliance on bidding for unpredictable government contracts.

SMALLPOX VACCINE REVENUES

Our work with the US Government for the manufacture of 182.5 million doses of ACAM2000 smallpox vaccine and R&D activities has driven our revenues and profitability since 2002 but the work will be completed, and all revenues recognised, by the end of 2006.

The challenge facing us, therefore, is to generate further revenue streams, going forward. In the medium and long term, revenues should be driven by sales of the vaccines we develop. In the short term, if we were to win some or all of the US Government MVA smallpox stockpiling contract, this could bring in revenues to contribute to bridging between the ACAM2000 contract and potential product pipeline revenues. We would expect the gross profit to Acambis to be lower on an MVA contract because Baxter would undertake more of the manufacturing than with ACAM2000.

BUILDING PREDICTABLE REVENUE STREAMS

Whilst we place a high priority on winning the MVA stockpiling contract, one of our key strategies is to generate other more predictable and sustainable revenues, and we have identified the following ways to achieve this.

A) WARM-BASE MANUFACTURING

Now that the US Government's primary smallpox vaccine stockpile is in place, we are discussing a 'warm-base'

POTENTIAL REVENUE STREAMS OF PRODUCTS ALREADY IN ACAMBIS' PORTFOLIO	2004	2005
ACAM2000		
US GOVERNMENT CONTRACT		
US GOVERNMENT WARM-BASE		
OTHER GOVERNMENT SALES		
MVA		
US R&D CONTRACT (RFP1)		
US 3M-DOSE CONTRACT (RFP2)		
US 50M- TO 60M-DOSE CONTRACT		
C-VIC		
VIVOTIF® (TYPHOID)		
CHIMERIVAX-JE		
CHIMERIVAX-WEST NILE		

The above table represents Acambis' current internal best estimates of when revenues could be generated in the future.

manufacturing contract that would require annual production runs to test our systems and equipment such that we could rapidly escalate production, if necessary. Such a contract would have the benefit of establishing a guaranteed annual minimum level of ACAM2000 sales to the US and, consequently, a predictable revenue stream. It would also establish a mechanism by which the US could acquire additional doses, if required, to replenish any doses of ACAM2000 that may fall below accepted potency levels.

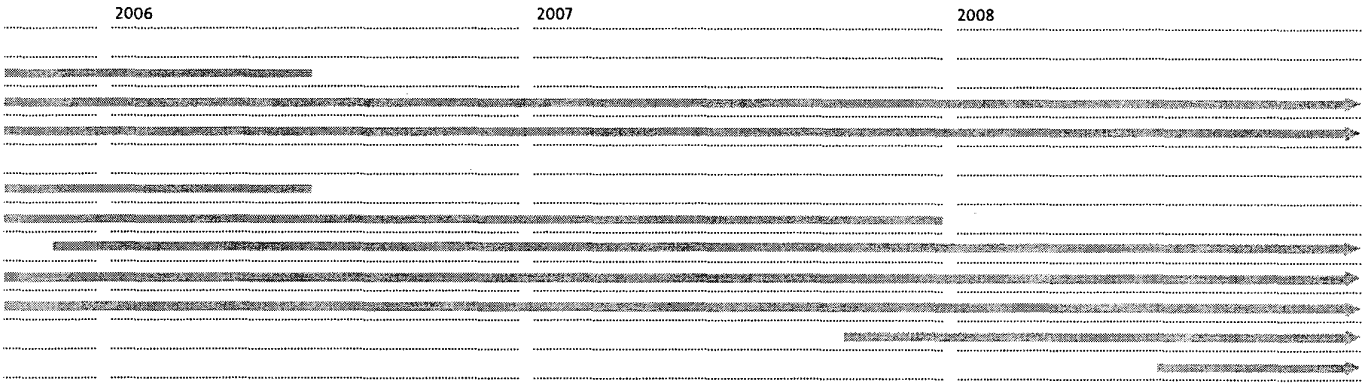
B) ACQUIRING ADDITIONAL NEAR-TERM REVENUE STREAMS

We are exploring several opportunities to acquire, in-licence or co-market products from other companies that can bring further revenues to Acambis immediately or in the near term. We are leveraging the following key assets to attract such products.

BPC is a well-established and highly respected distributor to the US travel vaccine industry but it is only selling one product, Vivotif, and could readily handle additional products within its existing infrastructure. In our discussions with other companies, we are looking for products to which we can add value by using BPC's expertise to increase sales.

With our clinical and regulatory expertise and manufacturing infrastructure, we can partner with companies that lack such capabilities or experience, or who need to establish manufacturing for particular products before they progress into major late-stage clinical trials. We prefer not to look to pursue fee-for-service contract manufacturing but rather to establish partnerships where we can add value, potentially through our clinical, regulatory and quality expertise as well as through manufacturing. As a result, we would expect to have an equity share in the product(s) we manufacture, or an equally profitable arrangement.

Finally, our balance sheet strength gives us considerable flexibility in targeting product acquisition, in-licensing or partnership opportunities. While the primary use for our cash remains investment in our own product pipeline, we can utilise our balance sheet to acquire or in-licence further products.



These potential revenue streams are subject to risks and uncertainties that may cause actual results to differ materially from those projected.